Table of Contents.

Citations to opinions below	1
Jurisdiction	1
Questions presented	2
Statute involved	3
Statement	4
Reasons for granting the writ	6
(A) Misappropriation of non-patentable, non-copyrightable original professional work product	7
(1) The copied subject matter resulted from original professional work of a saleable nature	13
(2) Petitioner did not intend to abandon all rights in the copied subject matter	14
(3) The copied subject was not protectible by ordinary statutory means	14
(4) Respondent made a direct "molded" copy of petitioner's boat hull	14
(5) Respondent's copying seriously damaged petitioner's business	15
(B) The "Copying Plus" doctrine	15
(1) Deceitful advertising	19
(2) "Chinese" copy	20
(3) Market spoiling	20
(4) "Palming off" in reverse	21
(5) Attempt to hire away petitioner's sales manager	21
(6) Intent to copy	21
(7) Use of special information	22
(8) Public confusion between the two boats	22

(C) The applicable law issue 23
(1) Separate analysis of the laws of various states 23
(2) Federal pre-emption 24
(D) The section 43(a) claim 24
Conclusion 26
Appendix I 27
Opinion of the United States Court of Appeals 29
Appendix II 37
Reprint of Exhibit 6 (R. 393) 37

Table of Authorities Cited.

Cases.

American Safety Table Co., Inc., v. Schreiber, 269 F. (2d) 255, cert. den. 361 U.S. 915 16, 17, 21, 22, 23
Capitol Records v. Mercury Records Corporation, 221 F. (2d) 657 8, 10, 11, 12, 14
Cheney Bros. v. Doris Silk Co., 35 F. (2d) 279 11
Crescent Tool Co. v. Kilborn & Bishop Co., 247 F. 299 9
Dior v. Milton, 9 Misc. 2d 425, 155 N.Y.S. 2d 443 aff'd mem., 2 App. Div. 2d 878, 156 N.Y.S. 2d 996 10, 12, 17, 23
Erie Railroad Co. v. Tompkins, 304 U.S. 64 2, 6, 23, 24
Ettore v. Philco Television Broadcasting Corp., 229 F. (2d) 481, cert. den. 351 U.S. 926 10, 11, 12, 14, 23, 24
Fisher v. Star Co., 231 N.Y. 414, 132 N.E. 133, cert. den. 257 U.S. 654 18, 23
Fonotipia Limited v. Bradley, 171 F. 951 7, 12
Holmberg v. Armbrecht, 327 U.S. 392, 90 L. Ed. 743 24

International News Service v. Associated Press, 248 U.S. 215 8, 9, 10, 11, 12, 13, 14, 15, 18, 21, 23

Investment Service Co. v. Fitch Publishing Co., 291 F. 1010 21

Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 83 L. Ed. 73 11, 13

L'Aiglon Apparel, Inc. v. Lana Lobell, Inc., 214 F. (2d) 649 24, 25, 26

Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc., 221 F. (2d) 464, cert. den. 350 U.S. 832 16, 17, 23

Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 101 N.Y.S. 2d 483, aff'd 279 App. Div. 632, 107 N.Y.S. 2d 795 10, 12, 13

Noma-Lites Inc. v. Lawn Spray, Inc., 222 F. (2d) 716 17

Ricordi v. Haendler, 194 F. (2d) 914 8, 9, 11

Waring v. WDAS Broadcasting Station, Inc., 327 Pa. 433, 194 A. 631 10, 11, 12, 13

STATUTES.

Constitution of the United States, Article 1, Sec. 8 7

Lanham Act, 15 U.S.C. 1125(a), § 43(a) 2, 3, 6, 24, 25, 26

28 U.S.C. 1254(1) 1

Supreme Court of the United States

OCTOBER TERM, 1962.

No.

THE O'DAY CORPORATION,
Petitioner,

v.

TALMAN CORPORATION AND TALMAN BIGELOW,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT.

Petitioner, The O'Day Corporation, prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the First Circuit, entered in the above-entitled case on December 6, 1962.

Citations to Opinions Below.

The opinion of the District Court (R. 382) is reported at 206 F. Supp. 297. The opinion of the Court of Appeals (R. 409) is reported at 136 U.S.P.Q. 1.

Jurisdiction.

The judgment of the Court of Appeals was entered on December 6, 1962 (R. 417). The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

Questions Presented.

This is an unfair competition case involving a copying situation in the fiberglass boat industry. In addition to the copying, numerous other acts are involved, including misrepresentation in advertising and other acts reflecting "a willingness to 'borrow' from others." A wide variety of questions is therefore presented, as follows:

1. Whether recovery can be had in an unfair competition case on the theory of misappropriation of property where the property is in the form of an original and saleable professional work product, and which in addition, by its nature, cannot be protected under the patent, copyright or trademark laws.

2. Whether "palming off" or confusion of customers as to source is an indispensable element in an unfair competition case.

3. Whether, in an unfair competition case involving a panorama of predatory acts on the part of respondent showing "a willingness to 'borrow' from others" and to misrepresent, the entire course of conduct is to be viewed as a whole, or whether each element is to be assessed independently to see if it alone supports recovery.

4. Whether, in an unfair competition case in which jurisdiction is based on diversity of citizenship, and in which the tortious conduct took place in several states, the Court must, under the doctrine of *Erie Railroad Co.* v. *Tompkins*, 304 U.S. 64 (1938), assess the case from the viewpoint of the law of each state involved, or whether it is proper for the Court to avoid separate interpretation of the laws of the states involved.

5. Whether Section 43(a) of the Lanham Act constitutes a Congressional pre-emption of the law of unfair competition by creating new substantive unfair competition rights existing apart from the common law, or whether that

section merely mirrors the common law to the extent that in an unfair competition case it does not require separate analysis.

6. Whether, in an unfair competition case in which the Court has found that petitioner has been seriously damaged by respondent's activities, the Court can properly deny recovery under Section 43(a) of the Lanham Act when respondent's damaging activities include false representations in advertising coming clearly within the type of thing outlawed by Section 43(a).

Statute Involved.

The statutory provision involved is Section 43(a) of the Lanham Act, 15 U.S.C. 1125(a), quoted as follows:

> "Sec. 43(a) *False designations of origin and false descriptions forbidden.*
>
> "*Any person who shall* affix, apply, or annex, or *use in connection with any goods* or services or any container or containers for goods, a false designation of origin, or *any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce*, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, *shall be liable to a civil action* by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or *by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.* . . . (15 U.S.C. 1125(a).) (Empha-

is supplied for purpose of designating portions of above section having pertinence to the case at bar.)

Statement.

Petitioner is a well-known seller of fiberglass hulled sailboats. In 1957, recognizing the need for a boat which would combine features of stability, roominess and safety for family sailing, together with planing ability, petitioner engaged the services of the world-famous Uffa Fox to design such a boat. This Uffa Fox did, and, as the Court of Appeals held, "achieved the maximum versatility and for such was rewarded with outstanding commercial success" (R. 410). Respondent, who had been petitioner's sales manager, was therefore well aware of the sales potential of petitioner's boat. Also, due to his position in petitioner's employ, he had special knowledge due to customer complaints relating to minor changes that would be desirable. Also he had access to other materials, including letters written by the designer, Uffa Fox, outlining possible alternatives in the construction of the boat. Armed with this knowledge, respondent embarked on his own in competition with petitioner. His first act was to buy a Day Sailer, petitioner's boat, and, after adding a few inches of plastic to it here and there, none of which changes the Court of Appeals said "had any appreciable consequences" (R. 411), struck off a mold from it and commenced selling the replicas. His "willingness to 'borrow' from others" (R. 414), as the Court of Appeals described it, however, did not stop at mere mold copying. He also ran an advertisement in "Yachting" (Exhibit 6)[1] in which he showed a photograph

[1] Exhibit 6 is at page 393 of the record. The copy printed there, however, is illegible, and therefore we have attached hereto a clear reprint as Appendix II.

of the same O'Day Sailer he had purchased with the said minor amounts of plastic added to it. As the Court of Appeals pointed out, this gave him the benefit of appearing to be "a well established business before he was even started" (R. 414). He also falsely used the Registered Trademark symbol ® for the same general purpose (R. 14). Other activity included representing to others that he, *i.e.*, respondent, was the designer (see Exhibits 6 and 14; also R. 336), and attempting to hire away petitioner's subsequent sales manager, Jim Hunt (R. 147). In addition to the foregoing, certain other facts have significance in the context. Thus respondent's copy was virtually a "Chinese" copy which the Court of Appeals held was "indistinguishable from the Day Sailer at any distance, even to initiates" (R. 411). Respondent even slavishly copied petitioner's erroneously located waterline markings (R. 151-152). The result was substantial confusion of observers (R. 98, 154, 315). On the subject of damage, the Court of Appeals agreed that these activities "seriously damaged" (R. 411) petitioner, and that special damages could result to petitioner, due to the fact that the Day Sailer class design was in effect very specifically "locked in" by the class racing rules such that petitioner could not redesign to incorporate changes to meet the very customer complaints considered by respondent in the construction of his boat (R. 416). A final fact is that the "single most important feature" of petitioner's boat was its planing characteristic, and that this in itself is not susceptible to ordinary statutory forms of protection. The Court of Appeals called it a "non-patentable and non-copyrightable design" (R. 413).

In the proceedings below both the District Court and the Court of Appeals took the view that there can be no unfair competition unless there is "palming off," and then considered each of respondent's other "borrowing"

acts independently and decided that, since none of these acts constituted a basis for recovery by itself, no recovery could be granted.

Reasons for Granting the Writ.

There are various reasons for granting the writ in the case at bar. In a general sense it should be noted that the outcome of the case is important, not only to the litigants at bar, but also to the fiberglass boat industry as a whole. Respondent has engaged in a particular form of mold copying which has recently become easy to do (see footnote, R. 411). The development of this relatively new and expanding industry will be strongly influenced by whether or not such activity is fair or unfair competition. In addition, the case has even greater national significance because it presents a broad panorama of issues relating to the law of unfair competition on which the decisions of the Federal Courts are in conflict in various ways, and concerning which litigants or prospective litigants are in great need of consistent legal interpretation. However, not only is there conflict among the Federal decisions, but a special circumstance has developed recently in the law of unfair competition due to an interpretation by some Courts that Section 43(a) of the Lanham Act constitutes a Federal "pre-emption" of unfair competition law such that the doctrine of *Erie Railroad Co.* v. *Tompkins* (*supra*) no longer applies. This means that such a variety of possibly applicable law is available that it will be virtually impossible for the common law to develop rationally and consistently by gradual judicial synthesis in the lower Federal Courts.

More specifically, however, the reasons for granting the writ in the case at bar are that the decision below is in

conflict with certain specific Federal decisions which we will now discuss under separate headings, indicating their theory or basis for recovery as follows.

(A) Misappropriation of Non-patentable, Non-copyrightable Original Professional Work Product.

The first conflict to be discussed herein has to do with the doctrine of misappropriation of the professional work product of authors and inventors. Our procedure will be first to discuss the doctrine and the cases which define it. Then, with this background in mind, we will outline the specific area of conflict with other Federal cases.

The desirability of protecting the work product of authors and inventors was recognized by the framers of the Constitution (Article 1, Sec. 8), and Congress has enacted the Patent, Copyright and Trademark Laws pursuant thereto. In addition to such statutory protection, however, a common-law doctrine has developed whereby, under certain circumstances, the Courts will enjoin competitors from copying this type of thing on the theory of misappropriation. An early case illustrating this doctrine is *Fonotipia Limited* v. *Bradley*, 171 F. 951 (D.C. E.D. N.Y. 1909), wherein the copyist made a direct mold impression of plaintiff's uncopyrighted phonograph recording. The *Fonotipia* case was decided in 1909, at which time phonograph recordings were not covered by the copyright laws. The Court held that plaintiff's sale of the recordings did not give the public the unlimited right to use the recordings for any purpose including using them competitively to produce molded replicas. Recovery was granted on the misappropriation theory alone, without any of the usual elements of secondary meaning, palming off or confusion as to source. Subsequently, Congress

extended the copyright laws to include phonograph recordings, and therefore, since statutory protection is now available, the Courts require parties to pursue their statutory remedy and the misappropriation doctrine no longer applies to that subject matter. *Ricordi* v. *Haendler*, 194 F. (2d) 914 (1952). However, the misappropriation doctrine as such still remains with respect to other *unpatentable* and *uncopygrightable* subject matter. *Capitol Records* v. *Mercury Records Corporation*, 221 F. (2d) 657 (1955)[2] (and various other cases cited below).

Perhaps the most celebrated case dealing with the misappropriation doctrine is the case of *International News Service* v. *Associated Press*, 248 U.S. 215 (1918). In that case the Supreme Court found that the Associated Press had a *property right* in its published news dispatches which it did not dedicate unlimitedly to the public on publication. The *International News Service* case dealt both with copyrightable news releases in printed form and with uncopyrightable chalkboard displays. In finding that a property right had been misappropriated, the Court first emphasized that the rights under review were not general rights existing between the public and the Associated Press, but rather limited rights existing particularly between the two competitors, International News Service and Associated Press. The Court then went on to say (p. 240):

> "The underlying principle is much the same as that which lies at the base of the equitable theory of consideration in the law of trusts—that he who has fairly

[2] In his dissenting opinion in *Capitol Records*, Judge Hand acknowledged that the doctrine still exists as to subject matter not protectible by statute. His dissent was based on his view that the subject matter there was copyrightable, or could have been declared so by Congress.

> paid the price should have the beneficial use of the property. . . . But in a court of equity, where the question is one of unfair competition, if that which complainant has acquired fairly at substantial cost may be sold fairly at substantial profit, a competitor who is misappropriating it for the purpose of disposing of it to his own profit and to the disadvantage of complainant cannot be heard to say that it is too fugitive or evanescent to be regarded as property. It has all the attributes of property necessary for determining that a misappropriation of it by a competitor is unfair competition because contrary to good conscience."

The Court further held that the Associated Press had not abandoned this right by publication because "abandonment is a question of intent," and the Associated Press obviously did not intend such a complete abandonment.

The decision also rested collaterally on the theory that International News Service was wrongfully deceiving the public into thinking that International News Service was capable of news gathering to an untrue extent, and that to use the Associated Press dispatches to support such deception was unfair competition. Justice Holmes concurred with the majority on this latter ground, but not with respect to misappropriation. Justice Brandeis dissented as to both grounds.

Commenting on the *International News Service* case in the *Ricordi* case (*supra*), Judge Hand repeated a statement he had made earlier that the *International News Service* case must be "strictly confined to the facts then at bar." This statement reflects a general tendency on Judge Hand's part to favor the "privileged copying" theory first propounded by him in the case of *Crescent*

Tool Co. v. *Kilborn & Bishop Co.*, 247 F. 299 (1917). However, various other Courts have not so confined the *International News Service* case. In *Waring* v. *WDAS Broadcasting Station, Inc.*, 327 Pa. 433, 194 A. 631 (1937), defendant had purchased Fred Waring recordings and thereafter broadcast them on radio. The Supreme Court of Pennsylvania granted an injunction based on the misappropriation theory alone, specifically relying on the *International News Service* case as precedent. In *Metropolitan Opera Ass'n* v. *Wagner-Nichols Recorder Corp.*, 199 Misc. 786, 101 N.Y.S. 2d 483, aff'd 279 App. Div. 632, 107 N.Y.S. 2d 795 (1950), defendant made and then sold recordings of a broadcast performance. Here again the New York Court granted recovery on the misappropriation theory alone, citing the *International News Service* case for precedent. In *Dior* v. *Milton*, 9 Misc. 2d 425, 155 N.Y.S. 2d 443 (S. Ct.), aff'd mem., 2 App. Div. 2d 878, 156 N.Y.S. 2d 996 (1956), defendant made copies of plaintiff's dress designs and was enjoined in part on the misappropriation theory, citing the *International News Service* case. In *Ettore* v. *Philco Television Broadcasting Corp.*, 229 F. (2d) 481 (C.A. 3), cert. den. 351 U.S. 926 (1956), defendant broadcast films of the Joe Louis-Ettore fight, and Ettore, the plaintiff, was granted recovery, at least with respect to New York and Pennsylvania law, on the theory of misappropriation (see also *Capitol Records* v. *Mercury Records, supra*).

It is clear from these cases that special facts must be present in order to warrant recovery on the misappropriation theory alone. Thus the professional work product which is copied should be recognized as having a saleable value, and it should possess some element of originality. These are the elements which, according to Justice Stern in the *Waring* case (*supra*, at pages 441-442) establish a common-law property right in the work. Moreover, these

are the same elements which serve to distingaish this type of case from the "privileged copying" cases, such as *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 83 L. Ed. 73 (1938). Thus the shape of a shredded wheat bun clearly does not possess any element of original professional work product and the misappropriation theory cannot apply to it.

A second requirement is that the property right, such as it is, must not have been abandoned or dedicated to the public. In the *Waring* case there was an express reservation of rights, but in *International News Service*, *Capitol Records* and *Ettore* the lack of intent to abandon was simply inferred from the surrounding circumstances.

A third requirement for the misappropriation doctrine is that the professional work product copied should be unprotectible by ordinary existing statutory forms of protection. If the subject matter is protectible, then the parties should pursue their statutory remedy. The misappropriation doctrine comes into play only in the absence of such other alternatives. This requirement also serves to distinguish cases based on the misappropriation doctrine from the "privileged copying" cases, such as the *Ricordi* and *Kellogg* cases (*supra*), where adequate patent or copyright protection had once been available (see also *Cheney Bros.* v. *Doris Silk Co.*, 35 F. (2d) 279 (C.A. 2 1929), in which the things copied were fabric designs which are protectible by statute).

A fourth requirement of the misappropriation doctrine is that of direct copying. Mere similarity of products is not enough as long as they have been independently developed. Thus, if the International News Service had gathered its own news, its releases might well have been precisely the same as Associated Press's, but still there would have been no cause of action. The reason for this stems basically from the underlying purpose of the mis-

appropriation doctrine to encourage independent professional effort and to discourage the lazy.[3]

A fifth requirement of the misappropriation doctrine, reflected in the cases, is that of damage. Ordinarily in unfair competition cases the mere likelihood of confusion, and hence damage, is sufficient. However, inherent in the misappropriation theory is the idea that the thing taken is valuable and is then turned to a special competitive advantage by the copyist, to the originator's detriment.

These five requirements were clearly met in *Fonotipia*, *Waring*, *Metropolitan Opera*, *Dior* and *Capitol Records*, and, as to the uncopyrightable chalkboard displays, in the *International News Service* case. In the *Ettore* case, and in part of the *International News Service* case the fact that a statutory remedy, *i.e.*, copyright, was available still did not bar recovery based on the misappropriation doctrine.

In any event, while it undoubtedly takes an unusual case to meet the requirements of the misappropriation doctrine, it is nevertheless clear that the doctrine as above outlined still exists and is a part of the common law.

The conflict between the case at bar and the foregoing decisions is that neither the District Court nor the Court of Appeals considered that the misappropriation doctrine exists and, although finding facts clearly sufficient to bring it into play, completely ignored it as a valid theory of recovery. Thus the Court of Appeals stated: "This case seems to us a clear illustration of the general rule that there can be no infringement of a non-patentable and non-copyrightable design" (R. 413). And neither of the

[3] An excellent statement characterizing the evil of free mold copying, specifically in the field of boat hulls, appeared at page 8 in the June, 1962, issue of "Popular Boating" as follows: "To be willing to resort to such means requires a bankruptcy of both design talent and honesty which seems likely to show up sooner or later in the resulting product."

Courts below discussed or distinguished the *International News Service* case (which was, of course, argued and briefed by counsel) or the cases we have cited which follow it, except for a brief comment by the Court of Appeals to the effect that the *Metropolitan Opera* case (*supra*) is "but a limited departure from these general principles, inapplicable to the facts at bar." This comment in itself demonstrates the problem because the misappropriation doctrine specifically applies to non-patentable and non-copyrightable subject matter and, as the cases defining it clearly show, it is otherwise easily distinguishable from the "privileged copying" cases, such as the *Kellogg* case (*supra*), by the very nature of the subject matter.

The Court's refusal to acknowledge the existence of the misappropriation doctrine in the case at bar is high-lighted by the fact that the Court of Appeals specifically found in the record of the case at bar each of the essential facts necessary to bring the misappropriation doctrine into play. Thus the Court found facts showing that--

(1) *The Copied Subject Matter Resulted from Original Professional Work of a Saleable Nature.*

The Court found that petitioner's boat hull was designed by the world famous naval architect, Uffa Fox, and plaintiff "is under a continuing obligation to pay royalties to Fox" (R. 412). In addition, the Court found that petitioner's hull "achieved a maximum versatility and for such was rewarded with outstanding commercial success" (R. 410). These facts and other supporting facts in the record (R. 48, 52, 97) combine to show that the hull design was sufficiently saleable, unique and original to give rise to common-law property rights in accordance with the *International News Service* case, and even under Judge Stern's more stringent view in the *Waring* case (*supra*).

(2) *Petitioner did Not Intend to Abandon All Rights in the Copied Subject Matter.*

Petitioner's lack of intent to abandon can be inferred from the general circumstances of the case as it was in the *International News Service, Capitol Records* and *Ettore* cases. However, in the case at bar respondent had previously been petitioner's sales manager, and therefore he had first-hand knowledge that petitioner regarded the design as being exclusive (R. 51, 59, 166). Thus, at least as between petitioner and respondent, there was specific knowledge of petitioner's lack of intent to abandon.

(3) *The Copied Subject was Not Protectible by Ordinary Statutory Means.*

The Court of Appeals based its decision on its assumption that petitioner's boat hull is "a non-patentable and non-copyrightable design" (R. 413). This assumption finds ample support. The "single most important feature" of the boat which the Court of Appeals held respondent copied, *i.e.*, its planing characteristic (R. 412), does not fall within any statutory copyright class, and defies the reduction to words necessary for patenting. It cannot be covered by a design patent, because it is not ornamental.

(4) *Respondent Made a Direct "Molded" Copy of Petitioner's Boat Hull.*

The Court of Appeals held that respondent used petitioner's hull "as his principal guide," and implied, in footnote No. 3 (R. 411), that he made a molded copy (which in fact he did, R. 169-171). The Court also held that none of the changes respondent claimed to have made to the

shape of the hull "had any appreciable consequences" (R. 411) and that respondent's boat "is indistinguishable from the Day Sailer [petitioner's boat] at any distance, even to initiates" (R. 411).

(5) *Respondent's Copying Seriously Damaged Petitioner's Business.*

The Court of Appeals specifically stated: "There can be no question but that O'Day has been seriously damaged by appellee's activities" (R. 411).

Thus the specific factual components necessary for recovery under the misappropriation doctrine were found. The only thing missing was a recognition or acknowledgment of the existence of the doctrine as a part of the common law. The Court of Appeals seems to be saying: "Even in a clear case, we do not believe there is such a thing as the misappropriation doctrine existing apart from 'palming off' or customer confusion." This, we submit, was a legal conclusion in conflict with the *International News Service* case and the other above-cited cases which followed *International News Service*, and accordingly serves as a basis for granting this petition.

(B) The "Copying Plus" Doctrine.

In addition to relief under the misappropriation doctrine, recovery can also be had at common law without "palming off" or purchaser confusion when the copying activity is accompanied by some form of fraud, deception or other predatory activity. For convenience we will refer to this theory of unfair competition as the "Copying Plus" doctrine, and it will be understood that the "Plus" to which we refer is not the typical "palming off" or pur-

chaser confusion so often associated with unfair competition cases.

Various forms of activity qualify under the "Copying Plus" doctrine. For instance, in the case of *American Safety Table Co., Inc.*, v. *Schreiber*, 269 F. (2d) 255 (C.A. 2, 1959), cert. den. 361 U.S. 915 (1960), the copied subject matter was a patented machine on which the patents had expired. The "Plus" activity found by the Court was that (*a*) defendant had on several occasions contrived to list plaintiff's dealers side by side with defendant's dealers in a directory (at page 269); (*b*) casual observers, but not purchasers, had been confused between the appearance of plaintiff's and defendant's machines (at page 270); (*c*) defendant had attempted, unsuccessfully, to hire away plaintiff's employees (at page 270), (*d*) defendant's machine was so close to plaintiff's that parts were interchangeable (at page 268); and (*e*) defendant did not do all he could have done to distinguish his machine from plaintiff's as to non-functional features (at page 273). The Court also specifically held that the course of conduct should be viewed in its entirety rather than assessing the validity of each action separately.

As showing that the "Copying Plus" doctrine is quite different from both the misappropriation doctrine discussed above and ordinary common-law "palming off," it is significant to note that in the *American Safety Table* case (*supra*), the Court granted recovery even though (*a*) there was no purchaser confusion (at page 270); (*b*) the copied subject matter was of a patentable nature, the patents having expired (at page 268); (*c*) the plaintiff's machine had *not* acquired a "secondary meaning" (at page 273); and (*d*) defendant merely copied functional features (at page 268).

Another illustration of the "Copying Plus" doctrine is the case of *Mastercrafters Clock & Radio Co.* v. *Vacheron*

d' Constantin-Le Coultre Watches, Inc., 221 F. (2d) 464 (2d Cir.), cert. den. 350 U.S. 832 (1955), in which the copyist imitated the outside appearance of the originator's atmospherically operated clock, called the "Atmos" clock, but used a small electric motor on the inside to run the clock. The Court specifically held that purchasers were not confused, but that the possibility of subsequent deception of casual observers constituted a sufficient "Plus" to form a basis for recovery.

In the *Mastercrafters* case the Court found that the "Atmos" clock had acquired a "secondary meaning," but this fact was not employed by the Court as in the usual unfair competition case because the Court found specifically that purchasers were not misled. The granting of relief was based on the fact that subsequent observers probably could be confused. Also it should be noted that the standard of what constitutes "secondary meaning" varies somewhat, depending upon the intent of the copyist. Thus a defendant who makes a deliberate "Chinese" copy is not well received when he argues lack of "secondary meaning," because it is more or less assumed that the reason he made the copy was that he thought the item had secondary meaning. Thus in "Chinese" copy cases the burden shifts, and the defendant is required to prove that "secondary meaning" is lacking. *Noma-Lites Inc.* v. *Lawn Spray, Inc.*, 222 F. (2d) 716, 717 (C.A. 2, 1955) (see also *American Safety Table Co., Inc.*, v. *Schreiber* (*supra*), at pages 271, 274).

Another illustration of the "Copying Plus" doctrine is in the case of *Dior v. Milton* (*supra*), in which the decision was based in part on facts showing that, not only did defendant copy plaintiff's dress designs, but he was allowed to witness a showing of the plaintiff's dresses by a disloyal employee of the plaintiff. This latter fact was em-

ployed by the Court as an additional make-weight, justifying recovery apart from the misappropriation doctrine upon which the decison also rested.

Still another case illustrating the "Copying Plus" doctrine is *Fisher* v. *Star Co.*, 231 N.Y. 414, 132 N.E. 133, cert. den. 257 U.S. 654 (1921), in which several of Hank Fisher's former employees produced imitations of Mutt and Jeff but used different names. The "Plus" element in that case had to do with unusual damages whereby the defendant's copying tended to spoil plaintiff's market. In granting injunctive relief, the Court stressed the fact that defendant's copying activity "may result in the public tiring of the 'Mutt and Jeff' cartoons" (at page 433).

An even more subtle illustration of the "Copying Plus" doctrine is a situation which can be characterized as "palming off" in reverse. Justice Holmes described it in the *International News Service* case (*supra*) as follows (at page 247):

> "The ordinary case is a representation by device, appearance, or other indirection that the defendant's goods come from the plaintiff. But the only reason why it is actionable to make such a representation is that it tends to give the defendant an advantage in his competition with the plaintiff, and that it is thought undesirable that an advantage should be gained in that way. Apart from that, the defendant may use such unpatented devices and uncopyrighted combinations of words as he likes. The ordinary case, I say, is palming off the defendant's product as the plaintiff's; but the same evil may follow from the opposite falsehood,—from saying, whether in words or by implication, that the plaintiff's product is the defendant's; and that, it seems to me, is what has happened here."

And again:

> "The falsehood is a little more subtle, the injury a little more indirect, than in ordinary cases of unfair trade, but I think that the principle that condemns the one condemns the other. It is a question of how strong an infusion of fraud is necessary to turn a flavor into a poison. The dose seems to be strong enough here to need a remedy from the law."

Accordingly, it is perfectly clear that the usual "palming off" concept of confusing customers is not essential to the charge of unfair competition and that copying plus various forms of fraud, deceit and predatory activity can, alone or in combination, form an adequate basis for recovery.

Turning now to the case at bar, the District Court and the Court of Appeals both denied relief on the ground that petitioner had failed to show that *purchasers* were deceived into thinking they were buying a boat made by petitioner when they bought respondent's boat. Both Courts stopped at this point and refused to analyze respondent's other activity in combination with the copying in accordance with the "Copying Plus" doctrine. However, here again the Court of Appeals made numerous specific findings of fact clearly bringing into play the "Copying Plus" doctrine as follows:

(1) *Deceitful Advertising.*

The Court of Appeals stated:

> "Bigelow did other things, such as using a photograph of a disguised Day Sailer in his original advertising, and suggesting he was in a well-established

business before he was even started, which reflect his willingness to 'borrow' from others." (R. 414.)

The deceit lies in the fact that respondent was using petitioner's boat to lead the public into thinking respondent had business capacity and design ability which, in fact, he did not have.

In addition, although the Court failed to mention it, respondent admitted in the answer that it had falsely employed the symbol ® indicating "Trade Mark Registered," prior even to any application for registration (Answer, par. 8, R. 14).

(2) *"Chinese" Copy.*

The Court stated that the respondent's boat, ". . . except for the markings on the sail and a small nameplate on the bow, is indistinguishable from the Day Sailer at any distance, even to initiates" (R. 411). This, we submit, qualifies as a "Chinese" copy.

(3) *Market Spoiling.*

As the Court of Appeals pointed out, petitioner's primary sales are to boat owners in the Day Sailer racing class, and the specifications of the boats in the class are strictly fixed or "locked in." (R. 415, 416). This means that, since the respondent's boat is virtually indistinguishable from petitioner's, wherever respondent commences the establishment of a racing fleet petitioner's potential market in that area is virtually destroyed, because the first fleet to become established in a given locality will usually dominate the demand for boats of that closely equivalent type and performance.

(4) *"Palming off" in Reverse.*

The Court of Appeals held that respondent took, without appreciable alteration, the "single most important feature" of petitioner's boat; *i.e.*, the planing characteristics of the hull (R. 412), and that this was the work product of the famous naval architect Uffa Fox (R. 410). The Court did not hold, but it is perfectly clear from Exhibits 6 (Appendix II) and 14 (R. 395-402), that respondent was holding *himself* out as being the designer (see also R. 336, where respondent's expert testified that respondent had said he was the designer). This is the very same kind of "reverse palming off" to which Justice Holmes referred in the *International News Service* case (*supra*).

(5) *Attempt to Hire Away Petitioner's Sales Manager.*

One of respondent's actions forming a part of his predatory campaign, employed significantly by the Court in the *American Safety Table* case (*supra*), was to try to hire away petitioner's sales manager Jim Hunt (R. 147). Although such activity is, of course, not actionable by itself, it is significant, as the Court of Appeals said, as reflecting "his willingness to 'borrow' from others" (R. 414).

(6) *Intent to Copy.*

The uncontradicted evidence also showed that respondent slavishly copied plaintiff's erroneously placed waterline (R. 151-152). Such activity also is regarded as showing intent to copy, although in itself it cannot be said to harm petitioner other than by way of possibly confusing observers. *Investment Service Co.* v. *Fitch Publishing Co.*, 291 F. 1010 (C.A. 7, 1923).

(7) *Use of Special Information.*

The Court of Appeals held that respondent made use of information obtained by him from the Uffa Fox letters in petitioner's files relating specifically to the use, in respondent's boat, of "the increased freeboard and the five foot centerboard," which items were not used in petitioner's boat. It is also clear from the findings of the Court of Appeals that respondent additionally took a special advantage from his knowledge of petitioner's customer complaints, which knowledge was gained while respondent was petitioner's sales manager. The Court held, however, that respondent's use of the Uffa Fox letters had not damaged petitioner, and that, although some of the customer complaint knowledge was undoubtedly confidential and was employed by respondent for the purpose of adding "to the attractiveness of the boat," petitioner had not sustained the burden of proving which of these items was confidential.

(8) *Public Confusion between the Two Boats.*

The Court of Appeals held that ". . . casual observers may in fact be unable to distinguish between a Day Sailer [plaintiff's boat] and an Explorer [defendant's boat]" (R. 412). It is also clear from the record that such public confusion actually took place in many instances (R. 98, 154, 315).

The Court below dealt with each of these aspects of the case independently, and, having held that they alone were insufficient to constitute unfair competition, dismissed the action without assessing their cumulative effect. The *American Safety Table* case (*supra*) held (at page 271) that the entire course of conduct must be viewed in combination, and therefore the decision below is in conflict with that case. It will be recalled also that Justice Holmes,

in the *International News Service* case (*supra*), stated (at page 247) that "It is a question of how much infusion of fraud is necessary to turn a flavor into a poison," and thereby likewise called for a cumulative view of the course of conduct. Accordingly, the decision below is in conflict with the *International News Service* case for this additional reason. Basically, however, the Court below holds that one thing, and one thing alone, can be combined with copying to constitute unfair competition, *i.e.*, palming off. The common law, however, is by no means so limited, and accordingly the decision below is further in conflict with the *American Safety Table* case (for this additional reason), the *Dior* case, the *Fisher* case and the *Mastercrafters* case (all *supra*), all of which follow the "Copying Plus" doctrine and in which the "Plus" element, in each instance, is not confusion as to source.

(C) The Applicable Law Issue.

(1) *Separate Analysis of the Laws of Various States.*

In the *Ettore* case (*supra*) the Court analyzed the law of four separate states, and held for plaintiff on various grounds, varying upon the Court's view of the law of the respective states. In the case at bar we urged the Courts below to do this, but the District Court did not acknowledge the issue, and the Court of Appeals by-passed it with an extremely cursory remark about one New York decision. In the case at bar the various laws of at least New York, Massachusetts, Rhode Island, Connecticut, Maine, and possibly California (see Exhibit 16, R. 405) should have been applied, and therefore the decision below is in conflict with the *Ettore* case, and other similar cases requiring application of the doctrine of *Erie Railroad Co.* v. *Tompkins* (*supra*) in unfair competition cases.

(2) *Federal Pre-emption.*

It has been held that Section 43(a) of the Lanham Act (15 U.S.C. Sec. 1125(a)) created substantive unfair competition rights existing apart from the common law. *L'Aiglon Apparel, Inc.*, v. *Lana Lobell, Inc.*, 214 F. (2d) 649 (C.A. 3, 1954). Therefore it follows that Congress may now be regarded as having pre-empted the field such that the doctrine of *Erie Railroad Co.* v. *Tompkins* (*supra*) no longer applies in unfair competition cases. *Holmberg* v. *Armbrecht*, 327 U.S. 392, 90 L. Ed. 743 (1946). If this is the law, then the separate treatment of each state law approach of the *Ettore* case (*supra*) is not appropriate, but then the decision below in the case at bar is in conflict with the *L'Aiglon* case (*supra*) for not analyzing the Section 43(a) cause of action specifically in relation to Section 43(a) apart from the common law.

(D) The Section 43(a) Claim.

The decision of the Court of Appeals in the case at bar is also in conflict with the case of *L'Aiglon Apparel, Inc.* (*supra*) on substantive grounds. In the *L'Aiglon* case the defendant used a photographic reproduction of plaintiff's dress in an advertisement, and the Court held that such activity constituted a false representation justifying relief under Section 43(a) of the Lanham Act. In the *L'Aiglon* case the Court emphasized that defendant's dress was an inferior and cheaper dress than plaintiff's. The facts in the case at bar are essentially the same as in the *L'Aiglon* case. Here respondent employed a photograph of petitioner's boat in respondent's advertising (see Exhibit 6, Appendix II). The reason why respondent did this is obvious: He did not have a boat at the time; all he had was petitioner's boat, to which he had applied

minor amounts of plastic here and there, still leaving it, however, indistinguishable from petitioner's boat. The misrepresentation was that respondent had a "well established business before he was even started" (R. 414). Also in this same category is respondent's false marking of "Trade Mark Registered" (R. 14). These misrepresentations were not made in connection with the sale of an inferior and cheaper product as in the *L'Aiglon* case, but Section 43(a) clearly places no such limitation on the use of the misrepresentation. Quite clearly the idea is to provide parties with a means of protection against misrepresentation which a competitor is employing in a damaging way. In *L'Aiglon* the damage undoubtedly was collaterally accentuated by the elements of cheapness and inferiority, but this in itself is not significant apart from the fact that the misrepresentation was thought to be damaging. In the case at bar the Court held that respondent's activities seriously damaged petitioner (R. 411); likewise it is perfectly clear that respondent's advertisement showing petitioner's boat, his use of false trademark marking and his efforts to pose as the designer of the boat all formed at least a part of his damaging activity. The Court below, however, refused to consider Section 43(a) apart from its interpretation of the common law, and held that, since there was no "palming off," there could be no recovery. The Court of Appeals stated: "He [respondent] made no pretense, however, even with respect to this picture [Exhibit 6], that he was selling Day Sailers, and we cannot see that these activities occasioned legal harm to O'Day." This shows how firmly the Court below considered that Section 43(a) is merely declaratory of existing common law. In the *L'Aiglon* case (*supra*), however, the defendant too advertised under its own name, and therefore it was not holding itself out as selling plaintiff's dress any more than respondent was doing likewise in the

case at bar. Also the Court in the *L'Aiglon* case, in granting relief, specifically held that palming off was not essential to recovery under Section 43(a), and additionally stated: "We find nothing in the legislative history of the Lanham Act to justify the view that this section is merely declarative of existing law" (at page 651). Accordingly the decision of the Court of Appeals in the case at bar is squarely in conflict with the decision of the Court of Appeals for the Third Circuit in the *L'Aiglon* case (*supra*).

Conclusion.

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

ROBERT B. RUSSELL,
Counsel for Petitioner,
160 State Street,
Boston 9, Massachusetts.

Appendix I.

[Record page numbers 409 to 416 at the foot of each page of this opinion refer to the page numbers in the certified record.]

United States Court of Appeals
For the First Circuit

No. 6034.

THE O'DAY CORPORATION,
PLAINTIFF, APPELLANT,
v.
TALMAN CORPORATION ET AL.,
DEFENDANTS, APPELLEES.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND
[206 F.Supp. 297]

Before WOODBURY, *Chief Judge*, and HARTIGAN and ALDRICH, *Circuit Judges*.

Robert B. Russell, with whom *Benjamin A. Smith*, *Russell, Chittick & Pfund* and *Tillinghast, Collins & Tanner* were on brief, for appellant.

Edward F. Hindle, with whom *John H. Chafee* and *Edwards & Angell* were on brief, for appellees.

OPINION OF THE COURT.

December 6, 1962.

ALDRICH, *Circuit Judge*. This is an action for unfair competition in which the court found for the defendants. We believe the court was essentially correct, both in its careful findings and in its reasons, but because we think it quite possibly erred in excluding certain letters[1] we will

[1] We might also observe that one of appellees' witnesses, a naval architect, gave positive expert opinions that even his own testimony showed to be unwarranted. It does not appear, however, that the court relied in any way on his evidence. Nor do we.

[Record page 409.]

review the record not on the usual basis of whether appellant has shown the court to have been plainly wrong, but whether it has a case even on its own view of the evidence.

Appellant, The O'Day Corporation, a Massachusetts corporation, hereinafter O'Day, connoting either the company or its principal officer, George O'Day, is engaged in the manufacture of various stock (as distinguished from custom-built) fiberglass boats. The one here in question, known as the Day Sailer, is a 16' 10" sailboat with a large open cockpit, a cuddy, or small cabin, and a short afterdeck. In appearance its most noteworthy characteristics are a high boom, a wide, flat hull, and an overall stubby look. In performance its chief characteristics are substantial planing ability, namely, ability to come out on top of the water at high speeds, combined with ease of handling and carrying capacity. This resulted, to a marked degree, in both a racing and a family boat. Although there were a number of other planing sailboats on the market it could be found that O'Day achieved the maximum versatility and for such was rewarded with outstanding commercial success. No patent, copyright or trademark is involved.[2]

The most important feature of a planing boat is the underwater hull. O'Day's was designed by the leading specialist in the sailing field, an Englishman named Fox. Fox designed the above-water portions as well, and made a number of alternative suggestions, not all of which were followed. Fox's letters in O'Day's files, containing these suggestions, were excluded by the court.

Production of the Day Sailer was begun in the summer of 1958. In February, 1959 O'Day engaged appellee Talman Bigelow, now the principal officer of the corporate defendant-appellee, Talman Corporation, as sales manager. Both Bigelow and his company are of the state of New

[2] There is a claim under the Lanham Act, 15 U.S.C. §1125(a), but we do not find this calls for separate discussion.

[Record page 410.]

York, although the latter's place of business is Rhode Island. Bigelow was discharged in October, 1959. Before he left, on uncontradicted evidence he contemplated engaging in a competitive line. Commencing in the spring of 1960, after forming his own company, and using the hull of a Day Sailer as his principal guide,[3] he embarked in the manufacture and sale of the Explorer, a 17 foot planing sailboat substantially similar in many respects to the Day Sailer. There can be no question but that O'Day has been seriously damaged by appellees' activities. Whether it has a right of action is another matter.

On analysis, O'Day's position is ambivalent. It complains both because Bigelow has copied the Sailer, and because he has not. We will first list the changes. There was a slight alteration in the silhouette line of the stem, or bow; the bow was also raised 3/4 of an inch, and the stern 2 inches, increasing the sheer, or curve of the deck; the length of the hull was increased 2 inches; the sail area was increased by 4 square feet. None of these changes had any appreciable consequences, even in the overall appearance. The Explorer, except for the markings on the sail and a small nameplate on the bow, is indistinguishable from the Day Sailer at any distance, even to initiates. In addition, the centerboard was lengthened to 5 feet, its location was moved 2 inches, and it was made adjustable in four positions; a change was made in the rudder; certain fittings (hardware) were changed or added; the flotation tanks were altered and were styrofoam filled; the outside fender, or rub-rail, was lowered to a stronger position; the cockpit coaming, or inner deckrail, was made narrower, and the deck was given a non-skid surface. Further, a floor was

[3] Reproduction of a wooden hull requires "taking off" lines, and is said to be a technical and difficult matter. Fiberglass hulls are built up, using molds, and if one already has the hull a duplicate mold is easily accomplished.

added, making the cockpit self-bailing and more comfortable, and increasing the rigidity of the hull. Finally, the angle of the transom, or stern, was changed and a hole was cut in the afterdeck to accommodate large American outboards without the necessity of a bracket, and the hull itself was made a little fuller aft to provide greater buoyancy.

It is clear that some of these changes added to the attractiveness of the boat.[4] On the other hand, no alteration of any consequence was made in the planing characteristics of the hull. This, obviously, was the single most important feature, and was obtained at the cost of buying one Day Sailer to copy from, while O'Day is under a continuing obligation to pay royalties to Fox.

Unpleasant as it may be for O'Day, we see no legal merit in its charge of outright copying. The hulls are plainly marked, appellees' selling literature is distinctive, there is no claim of being a Fox design and the different manufacturer is fully disclosed. No buyer could be confused as to source. *Swank, Inc.* v. *Anson, Inc.*, 1 Cir., 1952, 196 F.2d 330; *Reynolds & Reynolds Co.* v. *Novick*, 10 Cir., 1940, 114 F.2d 278. Indeed, O'Day does not really contend otherwise. It talks broadly about "reputation poaching." However, there is no evidence that its product, through appearance or performance, has acquired such a reputation or secondary meaning that customers may be deceived as to Explorer's source in spite of its markings. *Cf. Kellogg Co.* v. *National Biscuit Co.*, 1938, 305 U.S. 111; *Crescent Tool Co.* v. *Kilborn & Bishop Co.*, 2 Cir., 1917, 247 Fed. 299. Similarly, while casual spectators may in fact be unable to distinguish between a Day Sailer and an Explorer, there

[4] Bigelow testified, for example, that his first model had no self-bailing cockpit, and that some of these were still unsold even though he offered a $260 reduction. The Day Sailer and Explorer both retail at about $1900.

is no evidence that purchasers of the latter trade on this fact in order to obtain intangible benefits from the reputation of the former. *Cf. Mastercrafters Clock & Radio Co.* v. *Vacheron & Constantin-Le Coultre Watches, Inc.*, 2 Cir., 1955, 221 F.2d 464, *cert. den.* 350 U.S. 832. To the extent that O'Day has a reputation apart from its boat, it has not been "poached." This case seems to us a clear illustration of the general rule that there can be no infringement of a non-patentable and non-copyrightable design. "Unfair competition" requires something affirmative; it does not automatically pick up what these other recognized rights omit. *Kellogg Co.* v. *National Biscuit Co., supra; Charles D. Briddell, Inc.* v. *Alglobe Trading Corp.*, 2 Cir., 1952, 194 F.2d 416; *Cheney Bros.* v. *Doris Silk Corp.*, 2 Cir., 1929, 35 F.2d 279, *cert. den.* 281 U.S. 728. Even if the law of New York governs part of this case, as O'Day contends, we regard its case of *Metropolitan Opera Ass'n* v. *Wagner-Nichols Recorder Corp.*, 1950, 199 Misc. 786, 101 N.Y.S. 2d 483, *aff'd* 279 App. Div. 632, 107 N.Y.S. 2d 795, as, at most, but a limited departure from these general principles, inapplicable to the facts at bar.

Conversely, O'Day cannot complain of the changes made by Bigelow without some special reason. It invokes as its ground a confidential relationship, a principle the court fully recognized, but held inapplicable. Bigelow learned during the course of his employment through customer complaints, his own personal observations from sailing a Day Sailer, talk in the trade, and possibly talk in the shop, of various "bugs" in the Sailer that needed correction, and of various improvements that might be made. It is conceivable that some of these matters, apart from the Fox letters to be separately discussed, came to him in such confidence under all the circumstances that the law would protect them. However, it is quite impossible on the record to tell which, if any, these were. There is obviously no

presumption that everything Bigelow learned during the course of his employment was of a confidential character. *Manton-Gaulin Manufacturing Co.* v. *Colony*, 1926, 255 Mass. 194; *American Stay Co.* v. *Delaney*, 1942, 311 Mass. 229. O'Day has not met its burden of proof. *Cf. American Window Cleaning Co.* v. *Cohen*, 1961 Mass. A.S. 1259. If it was apprehensive of Bigelow's learning unidentifiable confidences, this is a classic case where it should have obtained an agreement not to compete.

The Fox letters must be separately considered. These letters were in files within Bigelow's reach, but concerned matters not within his duties. While he denied seeing them, in view of his evident proclivities[5] it would be quite reasonable to assume that he saw them, given only a small amount of evidence to support the inference. We find such evidence in the similarity of certain changes he made. Accordingly, we think the court should not have excluded the letters, but should have admitted them and then considered the consequences.[6]

O'Day points to five matters contained in the letters which it says by more than coincidence were reflected in the Explorer. 1. That the hull was well suited for American high-powered outboards. This statement was something less than true. Because of the angle of the stern no such

[5] Bigelow did other things, such as using a photograph of a disguised Day Sailer in his original advertising, and suggesting he was in a well-established business before he was even started, which reflect his willingness to "borrow" from others. He made no pretense, however, even with respect to this picture, that he was selling Day Sailers, and we cannot see that these activities occasioned legal harm to O'Day.

[6] In fairness to the court it is quite understandable that it made a contrary ruling. The letters were originally offered during O'Day's case in chief. The reasons given for their admission at that time were wholly insufficient to meet objections based upon hearsay. Later, during rebuttal, O'Day re-offered them in part. While, on the printed record, the new ground is sufficiently plain to us, we think counsel was something less than fully explicit, and permitted the court to believe it was still passing on the grounds of admissibility raised before.

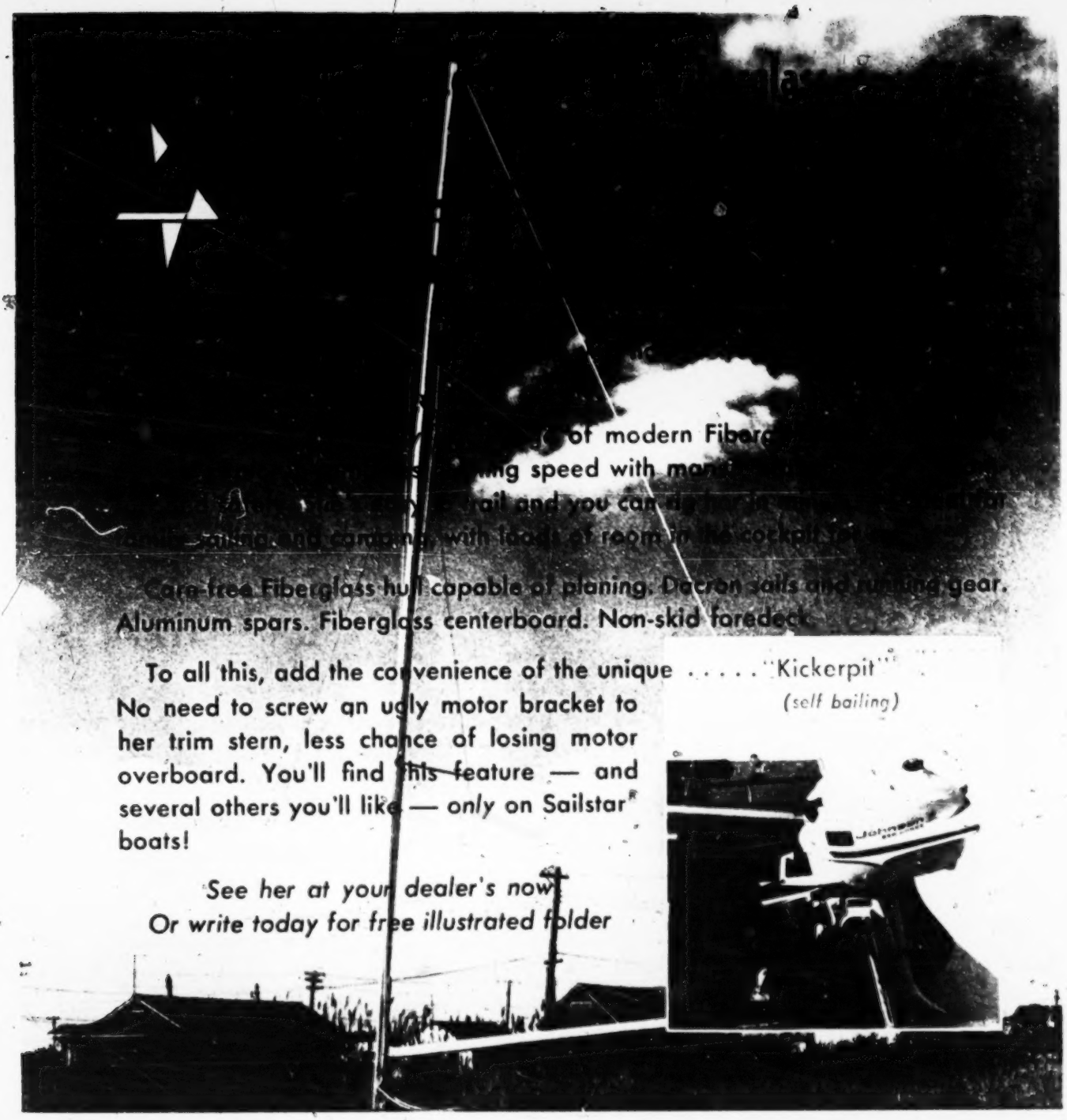
outboard could be mounted except with a bracket, and brackets are a poor device for heavy motors. In order to make the hull truly suitable for large motors Bigelow had to redesign the stern. 2. That it would be desirable to omit the afterdeck to reduce weight, to facilitate boarding, to give more room in the cockpit, and to make it possible to hang the outboard motor directly on the transom. Bigelow did not omit the entire afterdeck, but omitted a small portion to accommodate an outboard, a different and much more original concept. 3. To install a cockpit floor at the load waterline (*i.e.*, at a level corresponding with the level of the water outside the boat) in order to increase the rigidity of the hull, and for comfort. Bigelow did install a floor, but he placed it above the waterline and provided drainage, thus making the cockpit "self-bailing." 4. To raise the freeboard, or overall height of the hull, one or two inches. Bigelow raised it two inches aft, $^3/_4$ of an inch at the bow, and not at all amidships. 5. To lengthen the centerboard to five feet. Bigelow did this exactly.

On analysis it does not seem to us that Bigelow made any substantial use, beyond what would have been within general knowledge, of the first three items. Outboard motors are common. So are floors. All that may be directly traced to the letters are the increased freeboard and the five foot centerboard. O'Day has not shown any direct financial benefit accruing to appellees because of these specific changes. *Cf. American Stay Co. v. Delaney, supra.* From the standpoint of simply equitable relief, the question must be has there been any harm to O'Day.

This case presents a somewhat unusual situation. The Day Sailer has become established as a "class" boat, and O'Day's largest market is to persons desiring to participate in class activities, notably racing. This means maintaining the identity of the hull and of many other features, as the evidence is clear that even minor changes which

would affect performance cannot be made without causing disqualification from the class. Consequently, O'Day was "locked in," and could not change the freeboard or centerboard even if it would be an improvement. It may be that because of Fox's disclosures Bigelow obtained a better hull, to O'Day's disadvantage, by making changes the possibility of which would otherwise have remained secret. But it may also be that Bigelow's hull was not in fact any better, or alternatively, that anyone with ordinary skills, after watching the Day Sailer perform, would have thought to make these changes unaided. Again, on these matters O'Day offered no evidence, and made no offer of proof. Before affording equitable relief for breach of confidence the court should be satisfied that there was affirmative injury, and that the injury directly resulted from the breach. Very possibly this was a difficult burden to meet, but this cannot excuse its performance.

Judgment will be entered affirming the judgment of the District Court.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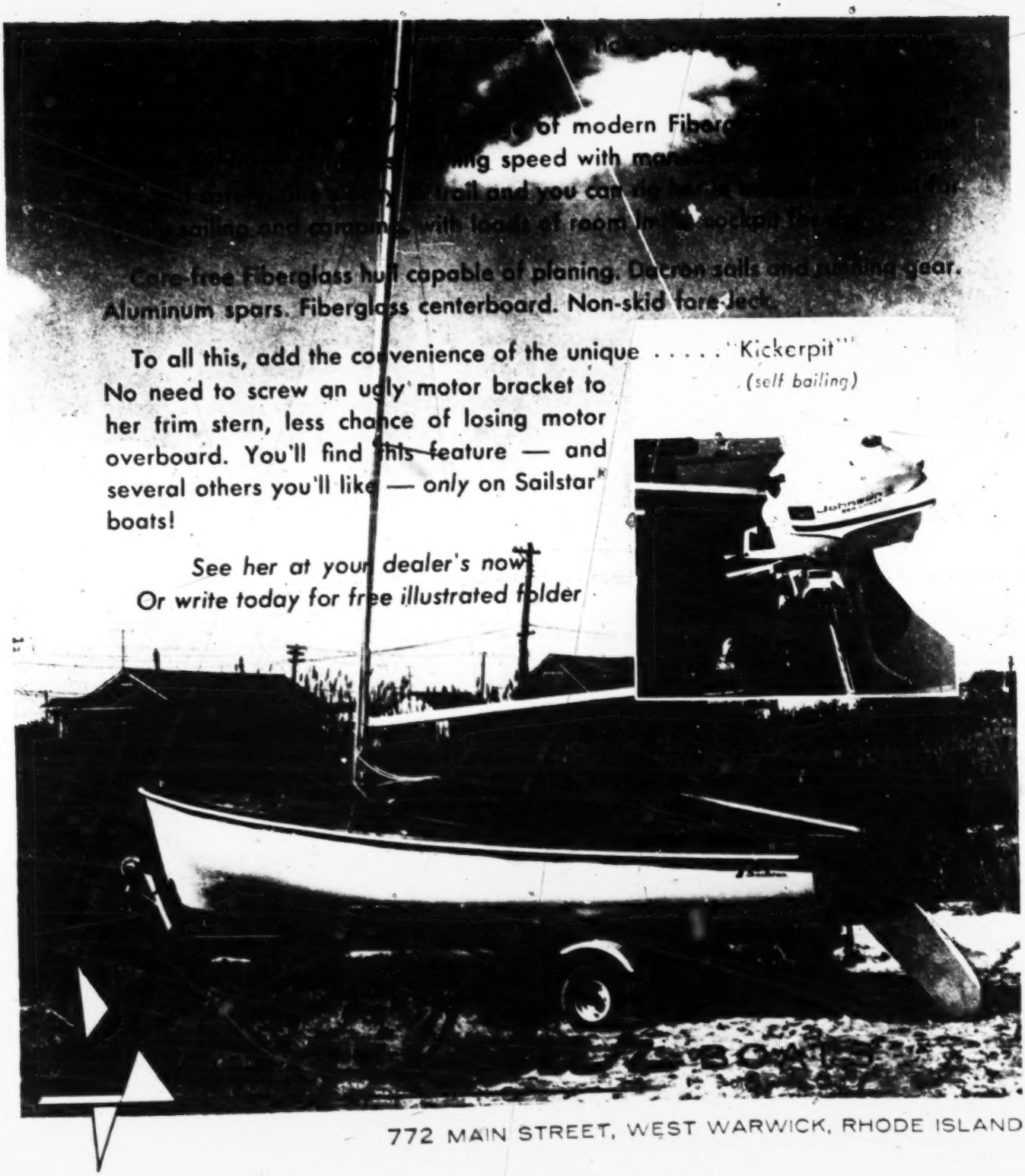

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